

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6868**

**BILL NUMBER:** HB 1004

**NOTE PREPARED:** Jan 10, 2014

**BILL AMENDED:** Jan 9, 2014

**SUBJECT:** Early Education Vouchers.

**FIRST AUTHOR:** Rep. Behning

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill has the following provisions:

- (1) Makes changes to the qualification requirements of an eligible child for purposes of administering the Early Education Matching Grant Program.
- (2) Establishes the Early Education Scholarship Pilot Program to provide supplemental funding for eligible children receiving eligible services from certain early education providers.
- (3) Provides that, after June 30, 2015, an eligible child may receive a scholarship through the Early Education Scholarship Pilot Program.
- (4) Provides that a child or a sibling of a child who receives an early education scholarship and meets certain other criteria is eligible for the Choice Scholarship Program.
- (5) Makes technical corrections and conforming amendments.

**Effective Date:** July 1, 2014.

**Explanation of State Expenditures:** *Summary:* The maximum cost to provide scholarships to 4,600 eligible children is estimated to be \$24.7 M (scholarship and administrative cost) per year beginning in FY 2015 . Scholarship costs would be subject to (1) appropriation (which the bill does not include) and (2) the number of eligible Level 3 and Level 4 Paths to Quality providers in counties selected for participation.

In addition, the total estimated annual cost to provide Choice Scholarships after the first year to students who received an Early Education Scholarship is about \$1.6 M. This assumes that only 7.2% (or 331) of these students will attend a nonpublic school and obtain a Choice Scholarship. The cost of this provision could increase to the extent that a higher percentage of these students obtain Choice Scholarships. These costs

would be realized beginning in FY 2016.

*Additional Information:* In order to qualify for the Early Education Scholarship Pilot Program, a child must be at least four years of age, have a family income of no more than 185% of the federal poverty level (FPL), and receive 180 days of services.

This bill establishes the pilot program for children to attend Level 3 and Level 4 Paths to Quality child care providers who (1) receive a matching grant under the Early Education Matching Grant Program and (2) are affiliated with a school corporation. It is not known how many Level 3 and 4 Paths to Quality providers will receive Early Education Matching Grants, but the Division of Family Resources (DFR) reports there are approximately 166 providers across 68 counties who are affiliated with school corporations. Based on the five counties with the largest capacity numbers, a maximum of approximately 4,600 children could receive scholarships under the bill.

*Scholarship Costs:* There are an estimated 40,000 four-year-old children who live in households with income at or below 185% FPL. Approximately 15,000 of these children are currently being served by the federal Child Care Development Fund (CCDF) program, Title I preschools, and Head Start. An estimated 25,000 eligible children are not currently served by any early education programs.

The maximum scholarship amount for children who attend a full-day program is \$6,800, and the scholarship amount is \$3,400 for children who attend a half-day program. Assuming scholarships are provided to a maximum of 4,600 eligible children with half attending full-day programs and half attending half-day programs, the maximum program expenditures for scholarships are estimated to be \$23.5 M per year.

*Administrative Costs:* If the program experiences similar administrative costs as the federal CCDF program (by federal law, administrative expenses cannot exceed 5% of the total program budget), maximum administrative costs for the program are estimated to be a maximum of \$1.2 M per year.

*Early Education Scholarship Pilot Program:* HEA 1001-2013 included a \$2 M appropriation for an Early Education Matching Grant Program which provides matching grants to Level 3 and Level 4 Paths to Quality providers who provide services to four-year old children with family incomes less than 100% FPL.

As of December 2013, the members of the Early Learning Advisory Committee (created in HEA 1004-2013) have met one time with another meeting scheduled in January 2014. No grants have been awarded during the first year, but funds are expected to be awarded during FY 2015. The Early Learning Advisory Committee is currently in the process of accepting requests for proposal from eligible child care providers.

Money in the Early Education Matching Grant Program Fund is nonreverting. Any unused fund appropriation at the beginning of FY 2016 could potentially be used to fund the Early Education Scholarship Pilot Program. To the extent this occurs, the total funds necessary to administer the program and obtained from other sources could be reduced.

*Choice Scholarship Program:* Children who receive an Early Education Scholarship would be eligible for a Choice Scholarship without first attending a public school the prior two semesters. Approximately 7.2% of Indiana students attend a nonpublic school. If scholarships are awarded to 4,600 eligible students, after the first year of implementation, it is estimated that 331 kindergarten students could receive a Choice Scholarship of about \$4,800. These scholarships would increase state expenditures by \$1.6 M beginning FY

2016.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Division of Family Resources.

**Local Agencies Affected:** Schools.

**Information Sources:** Melanie Brizzi, DFR; Kids Count Data Center; Federal Head Start Program.

**Fiscal Analyst:** Bill Brumbach, 232-9559; Chuck Mayfield, 232-4825.